

Message Text

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TO SECSTATE WASHDC PRIORITY 0177

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TAGS: ELAB, UK

SUBJECT: UK LABOR AFFAIRS; IS DETENTE IN THE OFFING?

REF: LONDON'S 3516

1. SUMMARY: THE GOVERNMENT'S COUNTER- INFLATION PROGRAM MOVED INTO PHASE TWO APRIL 1 AGAINST A BACKGROUND OF MODEST BUT GROWING PUBLIC OPTIMISM THAT A PERIOD OF RELATIVELY PEACEFUL INDUSTRIAL RELATIONS WAS JUST AROUND THE CORNER. THIS MOOD WHICH BEGAN TO TAKE ROOT WITH THE SETTLEMENT OF THE GAS WORKERS' DISPUTE WITHIN THE GOVERNMENT'S PAY LIMITS WAS GIVEN A STRONG BOOST MARCH 29 WHEN THE INDUSTRIAL RELATIONS ACT'S MOST IMPLACABLE ANTAGONIST, LEFT- WINGER HUGH SCANLON OF THE ENGINEERING WORKERS (AUEW), PUBLICLY ACCEPTED THE POSSIBILITY OF AMENDING THAT LAW RATHER THAN TOTAL REPEAL. A FURTHER DEVELOPMENT FEEDING THIS CAUTIOUS EUPHORIA WAS THE PRIME MINISTER'S ANNOUNCEMENT THAT HE WOULD CHAIR THE APRIL 4 MEETING OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDCO). THIS WILL MARK THE FIRST JOINT SESSION MR. HEATH WILL HAVE HAD WITH THE CBI (EMPLOYERS) AND THE TUC SINCE THE ABORTIVE TRI- PARTITE ANTI- INFLATION TALKS OF LAST SUMMER AND FALL. AGAINST THESE HOPEFUL SIGNS, HOWEVER, MUST BE BALANCED THE

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CONTINUING HOSPITAL STRIKES, A STILL UNSETTLED RAIL DISPUTE, IMPASSE AT FORD' S, THE THREAT OF INDUSTRIAL ACTION BY MINERS AND DOCKERS AND GENERAL UNREST AMONG WORKERS OVER THE GOVERNMENT' S FAILURE TO HOLD DOWN FOOD AND HOUSING COSTS, PRINCIPAL ITEMS IN THE COST OF LIVING. END SUMMARY.

2. APART FROM THE SHACKLES ON COLLECTIVE BARGAINING IMPOSED IN THE PHASE ONE (THE FREEZE) AND PHASE TWO (PAY LIMITS) PARTS OF THE GOVERNMENT' S COUNTER-INFLATION PROGRAM, THERE CAN BE NO QUESTION BUT THAT THE MOST SERIOUS IRRITANT TO A MODUS VIVENDI BETWEEN UNIONS AND GOVERNMENT IS THE INDUSTRIAL RELATIONS ACT. ALTHOUGH TUC POLICY NOW PERMITS UNIONS RUNNING AFOUL OF THE LAW TO DEFEND THEMSELVES IN THE LABOR COURT (NIRC), THEY ARE STILL FORBIDDEN TO REGISTER UNDER THE ACT OR USE ANY OF ITS FACILITIES. REPEAL OF THE ACT BY A FUTURE LABOR GOVERNMENT REMAINS A CENTRAL FEATURE OF THE RECENT ELECTORAL COMPACT BETWEEN THE TUC AND THE LABOR PARTY. NEVERTHELESS, RECENT STATEMENTS BY TUC GENSEC VICTOR FEATHER HAVE SOFTENED FROM DEMANDS FOR IMMEDIATE REPEAL TO CALLS FOR " NON- OPERATION" AND FINALLY A SUGGESTION EARLY IN MARCH THAT THE GOVERNMENT SHOULD " JETTISON THE WORST FEATURES" OF THE LEGISLATION. AND NOW SCANLON, THE ACT' S BITTER- END FOE, IN A SPEECH TO NEWSPAPERMEN HAS ADMITTED THAT THE FORMER INSISTENCE ON REPEAL OR SHELVEING OF THE LAW HAS BEEN PUT ASIDE. HE SUGGESTED TWO AMENDMENTS (WHICH NEITHER THE TUC NOR THE GOVERNMENT HAVE HAD A CHANCE TO ASSESS): (1) PRIOR MINISTERIAL APPROVAL FOR ANY ACTIONS IN THE NIRC AND (2) ABOLITION OF THE ACT' S REGISTRATION PROVISIONS. NON- REGISTRATION BY SCANLON' S UNION IS COSTING IT SOME \$650,000 A YEAR IN LOST TAX CONCESSIONS. THE AUEW HAS ADMITTEDLY BEEN IN FINANCIAL TROUBLE OVER ITS MANY STRIKES IN 1972. REFUSAL TO APPEAR BEFORE NIRC IN THE GOAD CONTEMPT CASE COST THE AUEW AN ADDITIONAL \$140,000 IN FINES.

3. SCANLON' S UNEXPECTED CHANGE IN STANCE WAS WELCOMED AS " INTERESTING" BY MR. HEATH AND MINISTERS, BUT THE GOVERNMENT, THE PRIME MINISTER TOLD COMMONS, WOULD AWAIT SUGGESTED AMENDMENTS IN THE " NORMAL WAY" FROM THE LIMITED OFFICIAL USE

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TUC ITSELF. HE ADDED, " THERE IS A STANDING INVITATION

TO THE TUC TO DISCUSS THIS WHENEVER IT WANTS." FOR A LONG TIME THE PRIME MINISTER HAD BEEN SAYING THE GOVERNMENT WOULD CONSIDER CHANGES IN THE LAW AFTER IT HAD BEEN IN EFFECT LONG ENOUGH TO SEE WHAT NEEDED CHANGING. THE TONE OF HIS REMARKS IN PARLIAMENT AND IN RECENT SPEECHES HAS MADE CLEAR THAT THE GOVERNMENT IS NOW READY TO TALK WITH THE UNIONS ON REVISIONS IN THE ACT AS WELL AS " ANY OTHER MATTERS".

4. AS IT STACKS UP THEN, THE STAGE SEEMS ABOUT SET FOR WIDE- RANGING TALKS NOT ONLY ON THE INDUSTRIAL RELATIONS

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ACT, WHICH THE UNIONS PREFER, BUT ALSO ON ECONOMIC QUESTIONS AND PHASE THREE POLICIES, WHICH THE GOVERNMENT PREFERS. THE OPENING OF SUCH A DIALOGUE MAY WELL BE THE APRIL 4 NEDCO MEETING. IT WAS WITHIN THIS FRAMEWORK THAT LAST YEAR'S TRI- PARTITE TALKS FINALLY GOT UNDER WAY DESPITE UNION AVOWALS THAT THEY WOULD NOT SIT DOWN WITH THE GOVERNMENT UNTIL THE INDUSTRIAL RELATIONS ACT WAS REPEALED OR " NON- OPERATED". NEW TALKS, HOWEVER, MAY NOT IMMEDIATELY GET STARTED. THE

INDUSTRIAL CLIMATE IS STILL TRICKY, AND WHILE SCANLON HAS SPOKEN HIS OWN PIECE, THE TUC GENERAL COUNCIL HAS STILL TO SET A TUC POLICY. IN SUCH TALKS THE GOVERNMENT WILL DOUBTLESS TRY ONCE AGAIN FOR A VOLUNTARY RESTRAINT PROGRAM IN PHASE THREE WHILE THE UNIONS WILL HOLD OUT FOR IMPORTANT CHANGES IN THE LABOR ACT, A RETURN TO NORMAL COLLECTIVE BARGAINING AND FIRM CONTROLS ON FOOD PRICES AND HOUSING.

5. A DEAL WILL NOT COME EASILY BUT THE PROSPECTS FOR MORE REALISTIC DISCUSSIONS ON BOTH SIDES SEEM ENHANCED. THE GOVERNMENT'S WAGE FREEZE (PHASE ONE) HAS BEEN COMPLETELY SUCCESSFUL. WITH THE GAS SETTLEMENT, THE LIMITED OFFICIAL USE

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POST OFFICE SETTLEMENT, THE PETERING OUT OF TEACHERS AND CIVIL SERVANTS STRIKES, PHASE TWO'S CHANCES OF A GOOD START ARE MUCH IMPROVED. THE GOVERNMENT'S UNYIELDING POSITION HAS SEEMED TO PAY OFF. NO MATTER HOW THE MINERS' STRIKE VOTE COMES OUT (REPORTS SAY " NO" VOTE LIKELY), THE CHANCES OF A CONFRONTATION RESEMBLING LAST YEAR'S ARE REMOTE. IT IS TOO FAR INTO SPRING, THERE IS PLENTY OF COAL ON THE GROUND AND AT POWER STATIONS, AND PUBLIC SUPPORT WOULD BE LACKING. IN ANY EVENT, THE GOVERNMENT IS PROCEEDING CONFIDENTLY IN THE BELIEF THAT THE PEOPLE WANT TO SEE THE COUNTER-INFLATION PROGRAM WORK. THE MAY DAY PROTEST STRIKES ARE STILL ON BUT AFTER THEY PASS AND ARE FORGOTTEN (THEY CAN HAVE NO EFFECT ON THE GOVERNMENT'S POSITION), THE WAY WILL BE OPEN FOR TALKS ON PHASE THREE. THE PAY BOARD OPENED SHOP APRIL 2, AND HOPEFULLY PENDING DISPUTES SUCH AS ON THE RAILWAYS, HOSPITAL WORKERS AND OTHERS WILL FIND THEIR WAY INTO THIS FORUM. AS THE SUNDAY TIMES COMMENTED, " THE TWO SIDES HAVE WAVED FLAGS OF TRUCE AT EACH OTHER FROM THEIR ENTRENCHMENTS. A CEASEFIRE, OR EVEN A PEACE, SHOULD NOT NOW BE IMPOSSIBLE TO ACHIEVE". OF COURSE A LOT WILL DEPEND ON DEVELOPMENTS IN SUCH CURRENT DISPUTES AS THE HOSPITAL WORKERS, RAILMEN, AND DOCKERS, BUT NO CONFRONTATION IS FORESEEN THAT THE GOVERNMENT CANNOT HANDLE.

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